

INTERNAL AUDIT ANNUAL REPORT – 2016/2017
HORDEN PARISH COUNCIL

1. Background

- 1.1. Local Councils in England and Wales (Parish Councils, Town councils) are expected to complete an annual return summarising their annual activities at the completion of each financial year.
- 1.2. One of the sections within the annual return (section 4) is to be completed by the Council's independent internal auditor, who is to give an opinion of the Council's Internal controls

2. Objectives of the Audit

- 2.1. To examine the system of internal controls to ensure that the Parish Council may obtain an adequate level of assurance for its activities.

3. Scope of the Work and the areas of Audit Work examined.

- 3.1 The Scope of Work covers the key control tests identified in Section 4 of the annual return.
- 3.2. To properly complete the audit the following areas of activity have been examined and tested by the Internal Auditor:
- Payroll
 - Creditors (including petty cash)
 - Risk Management
 - Income collection and Banking arrangements
 - Petty cash
 - Assets
 - Debtors
 - Budgetary Control (including year end procedures)
- 3.3. The audit findings of this report have been discussed with the Clerk of the Council and any audit recommendations have been agreed with him.

4. Findings

4.1. Payroll

- 4.1.1 The Parish Council has various employees working in Administration, Cemetery, Parks, Welfare Park and the Social Welfare Center (SWC), who work fixed hours and are paid by the Parish Council. There are Weekly Time Sheets completed for all staff and are confirmed by either the Centre Manager or Parks and Cemetery Manager and all are authorised by the Parish Clerk. These are input into the finance system by the Finance and Administration Officer, any extra hours worked are recorded on the timesheet. A wages journal is completed weekly to transfer the amounts into the finance system. Wages are paid by BACS.
- 4.1.2. Members complete a claim form when they wish to be paid their participation allowance, they can also claim for any mileage incurred in carrying out their duties. Claims checked had been completed and correct payments had been made during the year.
- 4.1.3. The Council has an establishment structure list showing the names of employees and the hours worked and there is a pay rates list commencing April 2016.
- 4.1.4. The weekly timesheets from week 32 to 52 were examined to the paid payroll amounts and all timesheets had been properly completed and authorised with correct payments made.

4.2. Creditors

- 4.2.1. There is satisfactory separation of duties regarding Finance and Administration at Horden Parish Council under the supervision of the Parish Clerk. Checks are also carried out by the Chair of the Finance and General Purposes Committee whom sees every invoice before payment is made and 2 Members agree and authorise the schedule of payment of accounts to the invoices each

month. This is presented to the Finance and General Purposes Committee for approval.

- 4.2.2. A detailed audit of the creditors' payments was carried out in October 2016 (examining the payment sheets from April to October 2016) and a report produced dated 3rd November 2016, where Full Assurance was given for this audit with no issues arising. This audit examined all payments from November 2016 to March 2017, with no issues arising.
- 4.2.3. All section 137 payments had been agreed by the Council prior to payment being made and properly recorded in the accounts.
- 4.2.4. A petty cash float for small purchases is approved on the same schedule of payments as above. Petty cash is held at the Council Offices and at the Cemetery and end of year balances are confirmed. This system was examined during the detailed audit in October and purchases were correctly recorded and confirmed as correct, with proper receipts obtained for all expenditure.
- 4.2.5. During the previous year the Council introduced on line banking payments by BACS. The internal controls for this was found to be satisfactory and the financial regulations had previously been amended to reflect this (May 2015).

4.3. Governance and Risk Management

- 4.3.1. The Council's Governance Sub Committee is responsible for ensuring that there is a Strategic Risk Management procedure in place, and that Corporate Risks are identified for the Council. A Corporate Risk Review and Financial review was carried out and by the Governance Sub Committee on 17th January 2017, where it was agreed that the Corporate Risk Review and Financial Risk Assessment be put to the Council for approval.
- 4.3.3. At this meeting there was an Internal Audit review for 2016 and Internal Audit Terms of reference report accepted. Also included was a Policy Schedule Review where it was recommended which policies should be reviewed first.
- 4.3.4. An internal auditor was appointed for 2016/17 at the AGM on 5th May 2016.
- 4.3.5. Financial Regulations and Standing Orders were approved Finance and General Purposes Committee and Council respectively on 12th January 2017 with a further review to be carried out in May 2017.

4.4. Income collection and Banking arrangements

- 4.4.1. Financial Regulations of the Council state that the collection of all sums due to the Council shall be the responsibility of, and under the supervision of the Parish Clerk.
- 4.4.2. A detailed audit of income collection and banking procedures was carried out in October 2016 (report dated 3rd November 2016) where Full Assurance was given.
- 4.4.3. This current audit examined the income records from October to March 2017 which confirmed that the internal controls regarding the collection and recording of all income was satisfactory with all income being collected and promptly banked.
- 4.4.4. A review of fees and charges for 2017/18 was carried out by the Budget Sub Committee on 20th December 2016 and reported to and approved by Council on 5th January 2017.
- 4.4.5. The Council has three bank accounts:
 - Current account
 - Deposit account
 - Recreation Ground

Any transfers between the current and deposit bank accounts are approved by the Finance and

General Purposes Committee.

- 4.4.6. Bank reconciliations are carried out monthly during the year, and the bank statements reconciled at the end of the financial year to the Income and Expenditure reports.
- 4.4.7. On examining the cemetery income records, it was found that one fee had not been paid by the funeral director and is currently outstanding. The Council's rules of management and cemetery guidance states that "all fees and charges must be paid in advance". The Council is now following its late payments (Bad Debt) policy in pursuing this debt.
- 4.5. Accounting Records/End of year accounts**
 - 4.5.1. All income and expenditure was found to be properly recorded in the accounts with various reconciliation reports being produced each month.
 - 4.5.2. End of year procedures confirms that the annual return figures were correctly produced from the finance system records, with proper supporting papers.
- 4.6. Security/Assets**
 - 4.6.1. There is an Inventory held of all assets, which is submitted with the statement of accounts to Council at the end of the financial year.
 - 4.6.2. The asset register is reviewed (updated) on a regular basis by the Assistant Clerk in conjunction with the relevant Managers. Members approve any additions to the asset register at the Finance and General Purposes Meeting during the year.
- 4.7. Debtors**
 - 4.7.1. Accounts (mainly hall rents) are promptly raised for any amounts owed to the Council, and there are satisfactory arrangements in place for following up any unpaid invoices. An end of year debtors report is produced identifying any unpaid debts, and any action to be taken.
 - 4.7.2. It was observed that the Council Late Payments (Bad Debt) policy has not been recently reviewed and appears out of date.
- 4.8. Budgetary Control**
 - 4.8.1. Monthly statements of income and expenditure are provided to the Finance and General Purposes Committee under approved budget headings. There are also regular management meetings to discuss budgets.
 - 4.8.2. Detailed estimates are prepared every year of income and expenditure on revenue services and receipts and payments on capital account. These are reviewed every year by the Budget Sub Committee and submitted to the Full Council, which includes the recommendation for next year's precept.
 - 4.8.3. The budget for 2016/17 and the precept were discussed by the Budget Sub Committee on 5th January 2016 (previous meetings were 8th and 12th October) and reported to Finance and General Purposes Committee on 14th January 2016, and approved by Council on 11th February 2016.
 - 4.8.4. The budget for 2017/18 and the precept along with the Council's Strategic Plan were discussed at the Budget Sub Committee on 20th December 2016 where Members considered the options available. It was recommended to present the budget options to the Council where an option was agreed.
 - 4.8.5. A Strategic Plan for 2017/ 2021 was discussed at the Budget Sub Committee which considered a schedule of works identified by the Clerk and the General and Earmarked Reserves and a plan was recommended. This was approved by Full Council on 5th January 2017.

4.9. Charity Accounts

4.9.1. The Council acts as sole trustee for its charitable trust fund (Horden Recreation Ground) and have a written Scheme (Constitution) which outlines its responsibilities and manages the income and expenditure. The trustees have meetings to discuss charity business and are separately convened in a separate council committee. Charity accounts are defined separately within the parish councils accounts and only income is shown separate, as it is considered to difficult to administer in splitting all the expenditure from the Council to the charity accounts. At the end of the financial year any income is recorded as a grant and transferred back to the Council by journal. All Charity income is banked separately into a charities bank account.

I understand that the Charity commission and the external auditor are aware of the Council position regarding the administration of Horden Recreation Ground and have been satisfied with this arrangement.

4.9.2. Further work on developing and agreeing a system regarding the charity accounts will be carried out later in the year.

4.10. Further Internal Audit work.

4.10.1. An agreed internal audit plan of work will commence around October. The areas to be examined are to be discussed with the Parish Clerk at a later date and agreed with the Finance and General Purposes Committee.

5. Conclusions/Recommendations

5.1.2. The Internal Controls within the Parish Council examined were found to be satisfactory for the size of the Council with 2 recommendations:

- The Council should ensure that Cemetery payments are made in advance in accordance with the Cemetery guidelines.
- The late payments (Bad Debt) policy be reviewed and updated.



Gordon Fletcher (C.M.I.I.A.)
Internal Auditor,
Date: 26th April 2017

Section 1 – Annual governance statement 2016/17

We acknowledge as the members of:

Enter name of
smaller authority here:

HORDON PARISH COUNCIL

our responsibility for ensuring that there is a sound system of internal control, including the preparation of the accounting statements. We confirm, to the best of our knowledge and belief, with respect to the accounting statements for the year ended 31 March 2017, that:

	Agreed		'Yes' means that this smaller authority
	Yes	No	
1. We have put in place arrangements for effective financial management during the year, and for the preparation of the accounting statements.	✓		prepared its accounting statements in accordance with the Accounts and Audit Regulations.
2. We maintained an adequate system of internal control, including measures designed to prevent and detect fraud and corruption and reviewed its effectiveness.	✓		made proper arrangements and accepted responsibility for safeguarding the public money and resources in its charge.
3. We took all reasonable steps to assure ourselves that there are no matters of actual or potential non-compliance with laws, regulations and proper practices that could have a significant financial effect on the ability of this smaller authority to conduct its business or on its finances.	✓		has only done what it has the legal power to do and has complied with proper practices in doing so.
4. We provided proper opportunity during the year for the exercise of electors' rights in accordance with the requirements of the Accounts and Audit Regulations.	✓		during the year gave all persons interested the opportunity to inspect and ask questions about this authority's accounts.
5. We carried out an assessment of the risks facing this smaller authority and took appropriate steps to manage those risks, including the introduction of internal controls and/or external insurance cover where required.	✓		considered the financial and other risks it faces and has dealt with them properly.
6. We maintained throughout the year an adequate and effective system of internal audit of the accounting records and control systems.	✓		arranged for a competent person, independent of the financial controls and procedures, to give an objective view on whether internal controls meet the needs of this smaller authority.
7. We took appropriate action on all matters raised in reports from internal and external audit.	✓		responded to matters brought to its attention by internal and external audit.
8. We considered whether any litigation, liabilities or commitments, events or transactions, occurring either during or after the year-end, have a financial impact on this smaller authority and, where appropriate have included them in the accounting statements.	✓		disclosed everything it should have about its business activity during the year including events taking place after the year-end if relevant.
9. (For local councils only) Trust funds including charitable. In our capacity as the sole managing trustee we discharged our accountability responsibilities for the fund(s)/assets, including financial reporting and, if required, independent examination or audit.	Yes	No	NA
		✓	has met all of its responsibilities where it is a sole managing trustee of a local trust or trusts.

This annual governance statement is approved by this smaller authority on:

08/06/2017

Signed by Chair at meeting where approval is given:

J Roberts

and recorded as minute reference:

Clerk:

P. [Signature]

*Note: Please provide explanations to the external auditor on a separate sheet for each 'No' response. Describe how this smaller authority will address the weaknesses identified.

Section 2 – Accounting statements 2016/17 for

Enter name of smaller authority here:

HORDEN PARISH COUNCIL

	Year ending		Notes and guidance
	31 March 2016 £	31 March 2017 £	
			Please round all figures to nearest £1. Do not leave any boxes blank and report £0 or Nil balances. All figures must agree to underlying financial records
1. Balances brought forward	390,151	210,174	Total balances and reserves at the beginning of the year as recorded in the financial records. Value must agree to Box 7 of previous year.
2. (+) Precept or Rates and Levies	381,174	424,421	Total amount of precept (or for IDBs, rates and levies) received or receivable in the year. Exclude any grants received.
3. (+) Total other receipts	313,915	738,323	Total income or receipts as recorded in the cashbook less the precept or rates/levies received (line 2). Include any grants received.
4. (-) Staff costs	362,373	372,871	Total expenditure or payments made to and on behalf of all employees. Include salaries and wages, PAYE and NI (employees and employers), pension contributions and employment expenses.
5. (-) Loan interest/capital repayments	0	0	Total expenditure or payments of capital and interest made during the year on the smaller authority's borrowings (if any).
6. (-) All other payments	512,693	265,488	Total expenditure or payments as recorded in the cashbook less staff costs (line 4) and loan interest/capital repayments (line 5).
7. (=) Balances carried forward	210,174	734,577	Total balances and reserves at the end of the year. Must equal (1+2+3) – (4+5+6)
8. Total value of cash and short term investments	209,146	746,554	The sum of all current and deposit bank accounts, cash holdings and short term investments held as at 31 March – To agree with bank reconciliation.
9. Total fixed assets plus long term investments and assets	2,611,325	2,651,153	This cell shows the value of all the property the authority owns. It is made up of its fixed assets and long-term investments.
10. Total borrowings	0	500,000	The outstanding capital balance as at 31 March of all loans from third parties (including PWLB).
11. (For Local Councils Only) Disclosure note re Trust funds (including charitable)	Yes	No	The Council acts as sole trustee for and is responsible for managing Trust funds or assets. N.B. The figures in the accounting statements above do not include any Trust transactions.
	✓		

I certify that for the year ended 31 March 2017 the accounting statements in this annual return present fairly the financial position of this smaller authority and its income and expenditure, or properly present receipts and payments, as the case may be.

Signed by Responsible Financial Officer:

P. Dolan

Date

18/04/2017

I confirm that these accounting statements were approved by this smaller authority on:

08/06/2017

and recorded as minute reference:

HPC 17/18/048

Signed by Chair at meeting where approval is given:

J Roberts